

# M e m o r a n d u m

To: Panel Members

Date: August 27, 2004

From: Dolores Kendrick, Manager

Analyst: N. Weingart

Subject: ONE-STEP AGREEMENT FOR **AUTOLAND, INCORPORATED (SET)**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition  
Set Workers Who Earn At Least The State Average  
Hourly Wage
- Legislative Priorities: Moving To A High Performance Workplace
- Type of Industry: Services
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
  - *Worldwide:* 140
  - *In California:* 130
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

## **CONTRACT:**

- Program Costs: \$172,900
- Substantial Contribution: \$0
- Total ETP Funding: \$172,900
- Total In-kind Contribution: \$190,000
  - *Trainee Wages Paid During Training:* \$160,000
  - *Other Contributions:* \$30,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide

### **INTRODUCTION:**

Autoland, Incorporated, a car buying service, is eligible to provide standard ETP training under Title 22, California Code of Regulations, Section 4416 (d)(1) as a facility that provides corporate support services to company locations outside of California. Autoland will also train under Title 22, California Code of Regulations, Section 4409(a), Special Employment Training (SET) targeted to frontline workers who earn at least the state average hourly wage, for outstationed customer service employees who do not provide internal corporate support functions. The proposed Contractor will retrain its workforce to facilitate a Company-wide transition to a high performance workplace and to grow the business.

### **MEETING ETP GOALS AND OBJECTIVES:**

Autoland, Incorporated, proposes training that will further the following ETP goals and objectives:

- 1) Foster retention of high wage, high skilled corporate headquarters jobs that are threatened by out-of-state competition.
- 2) Encourage investment in human resources development that promotes California industry through productivity and product quality enhancements.
- 3) Supplement, rather than displace, funds available through existing programs.
- 4) Facilitate the Company's move to a high performance workplace.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Retrainees Job 1	Business Skills Computer Skills Continuous Improvement	45	24-200	1-18	\$1,716 average	*\$12.17 - \$32.02
SET Frontline High Wage Retrainees Job 2	Business Skills Computer Skills Continuous Improvement	80	24-200	1-18	\$1,196 average	*\$20.29 - \$32.02
					<b><u>Prevalent Hourly Wage</u></b> \$18.01	
					<b><u>Average Cost Per Trainee</u></b> \$1,383	
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b> *Health benefits of at least \$2.05 per hour will be applied to the base wage to meet the ETP minimum wage of \$12.17 per hour for Los Angeles County, and \$20.29 per hour statewide for SET frontline high wage workers.					<b><u>Turnover Rate</u></b> 14%	<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b> 0%
<b><u>Other Employee Benefits:</u></b> Other employer-provided benefits include: dependent care account, life insurance, accidental death and dismemberment, 401K savings plan, long- and short-term disability, employee assistance program, tuition assistance, stock purchase plan, bereavement leave, vacation, sick leave, and incentive plans.						

## **COMMENTS / ISSUES:**

### ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee).

### ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

### ***Repeat Contractor***

This will be the second Agreement for Autoland, Incorporated. As such, the Contractor is not subject to the substantial contribution provisions of Title 22, California Code of Regulations, Section 4410.

## **PROPOSED ACTION:**

Staff recommends that the Panel approve the One-Step Agreement, if funding is available and the project meets the Panel priorities. This recommendation is based on Autoland's stated need to provide its employees with skills to become a high performance workplace, utilize its new computer software, enhance the Company's ability to grow and be competitive, and to ensure that it continues to meet customers' needs.

## **NARRATIVE:**

Autoland, Incorporated, was founded in 1971 by Michael Malamut, President and CEO, to provide an economical car buying service. Within a short period of time, it attracted credit union business and opened its first credit union office in 1990. Within three years, the Company went from five offices to 50. In 1996, a pre-owned car service was added and a year later on-line service was installed in credit union kiosks. Company representatives state that today, they have become the largest credit union buying service with more than 75 locations nationwide representing over 300 credit unions. Besides offering lower prices, Autoland also can coordinate financing and insurance and facilitate transportation to pick up vehicles. The Company employs 130 individuals at its Sherman Oaks, California, headquarters and more than 60 Northern and Southern California branch locations.

Autoland's current focus is retention of its core business and controlled growth. Its goal is to add over 100 new credit union customers by the year 2006. The Company must keep up with automobile dealers and inventory resources to remain a leader in the industry. To support and strengthen its goals, management has designed a training program to improve several internal operations and employee skill levels.

The Company has purchased new Nokia computer communications hardware and ADVOCAR software at a cost of over \$1.8 million. This system will allow credit unions to co-brand Autoland products on their own websites. Autoland personnel must learn to utilize the system first to assist customers and to train and support credit union staff on the applicable program features.

**NARRATIVE:** (continued)

The second Autoland initiative will be to introduce a continuous improvement/lean enterprise culture throughout the business to remove wasted activities in the order process and help drive down service costs. Lastly, the Company has expanded the scope and complexity of services to customer to provide an easier, more seamless, and timely auto buying experience. Most important among these is a new approach to sales whereby staff, primarily sales consultants, will provide more customer advice, support, and product information. To bring about all of these changes, the following training will be provided:

**Computer Skills** training will consist of ADVOCAR Applications, Handling Special Orders, Queries, and Special MS (Microsoft) Office Applications.

**Continuous Improvement** courses will include Team Activities, Lean Service, Problem Solving, Data Gathering and Analysis, Planning, and Meeting Customer Needs.

**Business Skills** is comprised of Project Management, Planning and Control, Setting Priorities, Listening/Negotiating/Communication Skills, Marketing Techniques and Product Knowledge.

Training will be provided to frontline administrative, customer service, sales, support, and technical staff working in Company headquarters and branch offices throughout the state.

***Supplemental Nature of Training***

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

Autoland currently provides training in management and supervision skills, new employee orientation, and word processing. The normal training period for newer employees is about one week; current employees receive periodic updates as needed. The prior ETP Agreement also covered continuous improvement, business skills, and computer skills training, and addressed improving Company processes at an introductory level. The Contractor reports that modules given at that time were Resolving Production Problems, Cost/Benefit Analysis, Improving Delivery Times, Business Administration, Accounting, Merchandising, and Financial Strategies. However, for reasons cited below (**Prior Projects**), much of the scheduled training did not take place.

The current training program is driven by the introduction of new computer technologies and lean enterprise classes, as well as the expansion in the scope and complexity of services offered to Autoland customers. Most of the training deals with the new ADVOCAR software, team processes, and in-depth consultative selling and customer support services, which the Contractor states have not been provided to trainees in the past. Some of the topics from the prior Agreement that were not delivered are included in this new Agreement.

In lieu of a week, employees will now receive from three to four weeks of training. Autoland staff asserts that it does not have the resources to train its staff to the extent planned in this Agreement without ETP assistance. Funding will allow the Company to train more staff for more hours at a faster pace than would otherwise be possible. And the more rapidly training takes place, the faster Autoland will realize the benefits of increased productivity and sales.

**NARRATIVE:** (continued)

The Contractor will continue to provide management, supervision, orientation, word processing, and on-site training at its own expense. Post ETP, it will continue to build on all skills taught in this program.

**SUBCONTRACTORS:**

National Training Company, Irvine, California (\$22,000 for project administration)

**THIRD PARTY SERVICES:**

National Training Company assisted with completion of the application for ETP funds. The amount reimbursed for services is \$5,000, which the applicant states is based on a flat rate.

**PRIOR PROJECTS:**

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS					
Agreement Number	Location (City)	Term	% Earned	Planned In-kind Contribution	Reported In-kind Contribution
ET01-0193	Statewide	12/26/00-12/25/02	27%	\$235,250	\$63,518 (approx)

The Contractor reported several reason for low performance on the last Agreement. First, it was not able to train due to the general economic downturn following September 11, 2001, which caused a slump in business and consequent layoffs. Second, the Company was poised to grow and expand in the dot.com world, which did not materialize thereby causing a decrease in amount of training that had been planned. Third, new Company management had new priorities that diverted time and staff away from training. And fourth, Company staff perceived that too much paperwork was involved in the documentation of both class/lab and structured, on-site training, and consequently, did not release employees to participate.

Since the prior Agreement ended, Autoland expects strong sales and growth in consumer spending. Autoland's management group has solidified and completely supports the new training program as a function of doing business and growth potential. The new proposal consists of class/lab and CBT training only; there will be no structured, on-site hours or record keeping. ETP recordkeeping has been simplified, and the Company has employed the services of an experienced outside administrator.

**Autoland, Inc.**

Menu Curriculum

Class/Lab Hours  
24-200

Trainees will receive any of the following:

**CONTINUOUS IMPROVEMENT**

Lean Service  
Continuous Process Improvement  
Problem Selection  
Processes  
Data Gathering/Data Analysis  
Root Cause Analysis  
Solutions  
Planning  
Implementing Solutions  
Meeting Customer Needs  
Resolving Team Conflict

**COMPUTER SKILLS**

Production Applications  
Computerized Reports  
Computerized Status  
Computerized Inventory  
Autoland Product Types  
Handling Special Orders  
Queries  
Special MS Office Applications

**BUSINESS SKILLS**

Project Management  
Planning and Control  
Business Processes  
Setting Priorities  
Listening Skills  
Negotiating Skills  
Communication Skills  
Finance Processes  
Operating Procedures  
Marketing Techniques  
Product Knowledge

**Autoland, Inc.**

Menu Curriculum (continued):

CBT Hours  
1-18

Trainees may also receive any of the following:

**CONTINUOUS IMPROVEMENT**

Continuous Process Improvement  
Problem Selection  
Processes  
Data Gathering/Data Analysis  
Root Cause Analysis  
Solutions  
Meeting Customer Needs  
Resolving Team Conflict

**COMPUTER SKILLS**

Production Applications  
Autoland Product Types  
Handling Special Orders  
Special MS Office Applications

**BUSINESS SKILLS**

Project Management  
Setting Priorities  
Listening Skills  
Negotiating Skills  
Communication Skills  
Operating Procedures  
Marketing Techniques  
Product Knowledge